

## Ombudsman's Determination

Applicant	Mr N
Scheme	Council of Reserve Forces' and Cadets' Associations Pension Scheme ( <b>the Scheme</b> )
Respondents	The Trustees of the Scheme ( <b>the Trustees</b> )

## Outcome

1. I do not uphold Mr N's complaint and no further action is required by the Council of Reserve Forces' and Cadets' Associations Pension Scheme.
2. My reasons for reaching this decision are explained in more detail below.

## Complaint summary

3. Mr N has complained that following his wife's death, he has not been paid a lump sum from the Scheme, and will only receive a spouse's pension.

## Background information, including submissions from the parties

4. Mr N's wife was an active member of the Scheme for 34 years, when in August 2015 she sadly and unexpectedly passed away. Following her death, Mr N was informed by the Trustees that he was entitled to a spouse's pension.
5. On 12 January 2016, Mr N wrote to the Trustees and queried why he was only going to receive a spouse's pension, as he believed he was also entitled to a lump sum. On 26 Jan 2016 the Trustees responded to Mr N and informed him that he had been offered the full entitlement due to him under the Rules of the Scheme. The letter also said the Trustees have no discretion to offer any alternative.
6. Dissatisfied with the Trustee's response, Mr N complained and went through the Trustee's internal dispute resolution procedure (**IDRP**).
7. The Trustees responded to Mr N's complaint in September 2016, and said:  
"...Trustees discussed your position... I can confirm, again, that full entitlement to benefits under Scheme Rules have been notified to you and that Trustees have no

discretion to offer any alternative except in the case of medical confirmation of a terminal illness...”

8. Dissatisfied with the Trustee’s IDRP response, Mr N referred his complaint to this service.
9. In response to Mr N’s complaint to this service, the Trustees said:
  - the benefits due from a Death in Service are as detailed within the Trust Deed and Rules (Supplemental Trust Deed and Rules dated 23 January 2003) (**Rules**);
  - Rule 13.1 is clear on the point “If a Member dies in Pensionable Service or in Insurable Service there shall be payable a lump sum equal to twice such a Member’s Pensionable salary as last calculated, but reduced by the cost of providing any Spouse’s pension payable under Rule 14.1.”; and
  - Mrs N’s final Pensionable Salary was £31,559 which resulted in a lump sum payment of £63,118. The cost of providing the spouse’s pension as calculated by the Scheme Actuary, is £127,823...the assessed cost of the pension is in excess of the insured amount and therefore under the Rules of the Scheme only the pension is payable.
10. In his correspondence with this office Mr N has said:-
  - He accepts he is entitled to receive a reduced widower’s pension but if his wife had lived she would have received a bigger pension and a generous lump sum. His wife paid into the Scheme for 34 years and he does not accept the lump sum benefit is being used to provide him with a spouse’s pension. He believes the lump sum payable is going somewhere else instead of to his wife’s family.
  - He does not believe the Rules are clear because following his complaint, the Scheme sent a letter to its members, trying to justify its actions.

## **Adjudicator’s Opinion**

11. Mr N’s complaint was considered by one of our Adjudicators who concluded that no further action was required by Council of Reserve Forces' and Cadets' Associations Pension Scheme. The Adjudicator’s findings are summarised briefly below:-
  - The benefits payable following a member’s death in service are stated in Rule 13:  
“If a Member dies in Pensionable Service or in Insurable Service there shall be payable a lump sum equal to twice such Member’s Pensionable Salary, but reduced by the cost of providing any Spouse’s Pension payable under Rule 14.1.”

- Mrs N's final salary was £31,559, therefore, according to the Rules, the value of the lump sum payable is £63,118. However, the Scheme's actuary has said it will cost £127,823 to provide the spouse's pension. Consequently, the cost of providing Mr N with a spouse's pension reduces the lump sum to zero and thus no lump sum is payable. This is clearly stated in Rule 13 where it states that the lump sum is reduced by the cost of the spouse's pension, in this case, the cost of the spouse's pension is valued at £127,823, which is £64,705 more than the lump sum.
  - Mr N has said his wife contributed to the pension for 34 years and that if she were alive to receive a pension, she would have received a higher pension and a generous lump sum from the Scheme. However, under the Rules, a member's benefit is calculated in a different manner to how a spouse's benefit is calculated. Therefore, Mr N is not entitled to the same benefits his wife may have received.
  - The Trustees have correctly interpreted the Scheme Rules; there is no discretion allowing them to award benefits in excess of the pension that Mr N has been offered. Consequently, the Ombudsman would not direct the Trustees to pay Mr N an additional lump sum.
12. Mr N did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. I agree with the Adjudicator's Opinion, summarised above, and I will therefore only respond to the key points made by Mr N for completeness.

### **Ombudsman's decision**

13. I appreciate this is an upsetting time for Mr N as the death of his wife was sudden and unexpected. However, I cannot direct the Trustees to change the Rules of the Scheme.
14. The Scheme Rules clearly state that the lump sum death benefit is reduced by the cost of providing a spouse's pension. In Mr N's case, the actuaries have calculated the cost of providing a spouse's pension outweighs the lump sum death benefit payable and consequently, no lump sum is payable. I accept Mrs N was a member of the Scheme for 34 years and had paid contributions throughout that time. However, each scheme has its own rules that govern it, the contributions paid do not have a direct correlation to the death benefit payable.
15. Therefore, I do not uphold Mr N's complaint.

**Anthony Arter**

Pensions Ombudsman  
30 June 2017